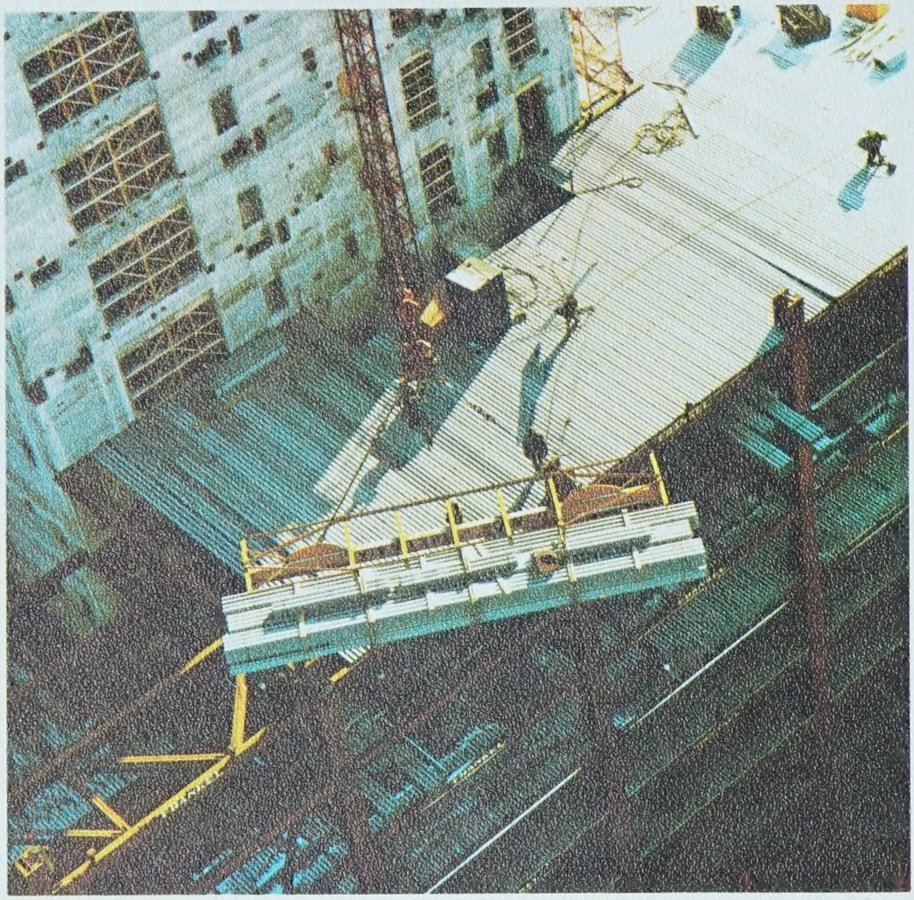
1972

File

WESTEEL-ROSCO LIMITED

annual report



Steel goes up quickly, using Westeel-Rosco Hi-Bond floor deck. Hi-Bond panels are raised a truckload at a time on precise schedules to speed completion of the third tower of the Toronto-Dominion Centre.

Hi-Bond cellular steel floor builds in capacity for to-morrow's needs.

Hi-Bond floor deck incorporates integral lugs or bonding elements in the vertical webs of the steel profile. These lugs provide a firm, mechanical, vertical and horizontal bond between the deck and the concrete over it. The concrete thus becomes an actual structural element that works with the Hi-Bond deck to share the structural loads.
Because they are fully compatible, engineers may prefer an economical blend of Hi-Bond steel floor and Hi-Bond cellular steel floor. This provides electrification cell patterns in a wide variety of combinations to meet virtually any design module the architect has decided to use.

Hi-Bond cellular steel flooring provides architects and engineers with the necessary flexibility to meet demands for changes in electrical and communication service locations plus the capacity to accommodate future requirements. With Hi-Bond, floor outlets for electrical power and communication circuits can be located within inches to satisfy the needs of open planning and office landscaping.

Hi-Bond steel floor and cellular steel floor can be installed immediately after structural steel framing, without any delays caused by freezing weather. Erection is fast and can be done at any time of the year.

The steel deck provides a safe, incombustible work platform for all trades right from the start.

Hi-Bond saves in many ways. The steel deck takes the place of separate steel reinforcing rods and also eliminates the need for temporary wooden forms. Not only are material costs reduced but labour is significantly cut since no time is spent installing and removing wood forms. Fire insurance premiums, too, are reduced during construction. Because the whole construction job can be speeded up, Hi-Bond allows the architect to offer earlier occupancy to his clients and therefore earlier revenue.

WESTEEL-ROSCO LIMITED

BOARD OF DIRECTORS

P.F. Fowle — Toronto
Chairman of the Board, Westeel-Rosco Limited

N.J. Alexander — Winnipeg
Managing Partner, Richardson Securities of Canada

E.C. Bovey — Toronto
President and Chief Executive Officer,
Northern and Central Gas Corporation Limited;
President and Director, Le Gaz Provincial du
Nord de Québec Ltée.

M.A. Buell — Toronto

R.M. Calhoun — Toronto
President, Westeel-Rosco Limited

P.H. Fox — Richmond, Va.
Executive Vice-President, Reynolds International Inc.

W.S. Martin, Q.C. — Winnipeg
Partner, Aikins, MacAulay & Company

A. Piché — Cap-de-la-Madeleine
Executive Vice-President and Managing Director,
Reynolds Aluminum Company of Canada Ltd.

J.L. Reynolds — Richmond, Va.
Chairman and Chief Executive Officer,
Reynolds International Inc.
Executive Vice-President,
Reynolds Metal Company

A. Robertson — Winnipeg
Company Director

WESTEEL-ROSCO LIMITED

OFFICERS

Chairman of the Board	P.F. Fowle
President	R.M. Calhoun
Vice-President	J.W. Ross Caldwell
Vice-President	P.F. Davidson
Vice-President	W.D. Dertell
Vice-President	H. Dutton
Vice-President	A.H. Mack
Secretary-Treasurer	S.D. Elder

SUBSIDIARIES

Columbia Metal Rolling Mills Limited
P. Graham Bell Associates Limited
Prairie Metal Products Ltd.
Stran-Steel (Canada) Limited

TRANSFER AGENTS AND REGISTRAR

National Trust Company Limited
Montreal, Toronto, Winnipeg, Regina,
Calgary, Vancouver

BANKERS

The Toronto-Dominion Bank

AUDITORS

Deloitte, Haskins & Sells

COUNSEL

Blake, Cassels & Graydon

WESTEEL-ROSCO LIMITED

FINANCIAL HIGHLIGHTS OF THE YEAR 1972

	1972	1971
SALES	$69,724,000	$69,824,000
EARNINGS BEFORE EXTRAORDINARY ITEM	1,977,000	1,783,000
per share	4.08	3.68
EXTRAORDINARY ITEM	—	136,000
per share	—	.28
TOTAL	1,977,000	1,919,000
per share	4.08	3.96
DIVIDENDS paid to shareholders	349,000	290,000
per share	.72	.60
SHAREHOLDERS' INVESTMENT at year end	17,115,000	15,487,000
per share	35.32	31.96
CAPITAL EXPENDITURES	776,000	323,000
DEPRECIATION	694,000	720,000
WORKING CAPITAL	14,092,000	12,360,000

WESTEEL-ROSCO LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

It is with pleasure that your Directors report on the Company's operations for the year ended December 31st, 1972 and present the relative financial statements, together with the report of your auditors, Deloitte, Haskins & Sells.

Earnings for 1972 were the highest in the Company's history. Sales totalling $69,724,000 were virtually the same as those invoiced in each of the two previous years. The net income from operations was $1,977,000 or $4.08 per share compared with $1,783,000 or $3.68 per share in 1971. An extraordinary gain in 1971, amounting to $136,000 or 28¢ per share, brought 1971 total earnings to $3.96 per share.

Sales and profits from the Company's basic product lines were adversely affected by a lengthy work stoppage in the construction industry on the West Coast and a three-week strike in our Toronto plants. The successful marketing of much of Canada's grain surplus during 1972 lessened the demand for farm storage facilities, one of our important markets. These reversals were more than offset by a strong recovery in the earnings of the Stran-Steel Division, by continuing benefits from tighter controls, and by reduced interest and income tax costs.

The past several years of consolidation and refinement have produced encouraging results. Emphasis is now being placed on the Company's long-term objectives to ensure that the Company participates fully in Canada's continuing economic growth.

Financial

Working capital increased by $1,732,000 to $14,092,000. Details of the changes are set out in the Statement of Source and Application of Funds on page 11. The increase in inventories is the result of a larger-than-normal carryover of grain bins, increased raw material prices, and an increase in the level of activity indicated for the first quarter of 1973.

Capital expenditures in 1972 were $776,000. For 1973 capital expenditures will be higher.

On February 14, 1973 your Directors increased the annual dividend rate from 72¢ per share to $1.00 per share.

At the same meeting they approved a two-for-one stock split. Subject to confirmation at a Special General Shareholders' meeting on April 25, 1973, and subject to confirmation by supplementary letters patent, each shareholder would receive one additional share for every share now held. For example, when the stock split has been completed, the shareholder who now owns 100 shares would own 200 shares. On the basis of the dividend declared payable of 25¢ per share on March 15, this would be 12-1/2¢ per share after the split.

Building Products

The efforts of our major product group suffered from labour disruptions. Early in the year the B.C. construction industry was shut down for an eleven-week period and, at the height of the construction season, our Toronto plants, which manufacture a high percentage of these products, were closed by strike action for a three-week period.

During the year new deck and siding profiles were introduced to the market, an additional wide, heavy-duty, roll-forming mill was installed at Toronto, and our re-tooling program was continued. We are in the process of installing a deck and siding roll-former in our Vancouver plant to permit better servicing of the B.C. and Alberta markets.

Entering 1973, our backlog of building products orders was at a most satisfactory level and, with the increased activity foreseen in the commercial and industrial construction industry, we confidently predict a busy and profitable year.

Flexcon

This Division is engaged primarily in developing a series of specialized systems approaches to construction. We are pleased that in 1972 it has again shown very satisfactory earnings. In pursuing various programs, the Flexcon staff has developed Flexplan, a new system of relocatable buildings. The first project using this system was completed during 1972. Illustrations of this installation appear on pages 14 and 15 of this report. We look forward to an interesting new market for this latest development.

Highway and Drainage Products

Considerable progress was made by this product group during the year. Sales volume and rate of profitability both showed satisfactory increases. Much attention is being given by our engineering staff to design and promotion work in an effort to develop broader use of our products.

Agricultural Products

Eastern Canada enjoyed a good year in this field, but unusually large export shipments of grain from the Prairies greatly reduced the demand for grain storage bins and, as a result, our agricultural sales in Western Canada were lower than in 1971. With increased acreages of grain to be planted in Western Canada in 1973, we expect to return to a more normal condition.

Stran-Steel

This Division enjoyed a most successful year. Sales increased by 30%, and were at a good level of profitability. Stran now seems to be established on a firm footing.

The outlook for the pre-engineered metal building industry is for a better-than-average growth rate, and we are looking forward to increasing our share of this market.

During 1972 the Richmond Hill plant operated at capacity and as a result we are enlarging and re-arranging our plant to permit increased efficiency and output.

P. Graham Bell

Activity in the porcelain enamelling field continued at a low level and, while the operation of this subsidiary was profitable, sales and earnings were both at lower levels than in 1971. Recently there has been a marked increase in activity, and the backlog of orders is building. Projections for 1973 indicate satisfactory increases in sales and earnings.

Outlook

The momentum of the Canadian economy indicates a continuing high level of business activity in 1973. The greatest strength may appear in the early months, with performance in the latter part of the year depending on the durability of the current upswing.

Our backlog of orders is higher than at this time a year ago, and we are confidently looking forward to another year of progress.

The successes and achievements of the year reviewed in this report reflect in large measure the loyalty and co-operation of the Company's employees at all levels of responsibility. To all of them, the Directors, on behalf of the Shareholders, express sincere thanks.

Submitted on behalf of the Board.

P. F. FOWLE,
Chairman of the Board
R. M. CALHOUN,
President

WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
December 31, 1972
(with comparative figures at December 31, 1971)

ASSETS

	1972	1971
Current:		
Accounts receivable	$17,880,000	$16,805,000
Inventories — valued at the lower of cost or net realizable value	15,126,000	11,953,000
Prepaid expenses	241,000	108,000
Total current assets	33,247,000	28,866,000
Other:		
Mortgages receivable	729,000	938,000
Fixed — at cost:		
Land	748,000	841,000
Buildings	8,135,000	8,089,000
Machinery and equipment	10,402,000	9,924,000
	19,285,000	18,854,000
Less accumulated depreciation	12,537,000	12,105,000
Net fixed assets	6,748,000	6,749,000
Total Assets	$40,724,000	$36,553,000

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
Current:		
Bank borrowings (note 1)	$ 5,543,000	$ 4,797,000
Accounts payable and accrued charges	10,695,000	7,806,000
Income and other taxes payable	1,228,000	1,922,000
Deferred incomes taxes – current	1,522,000	1,814,000
Current instalments on long-term debt	167,000	167,000
Total current liabilities	19,155,000	16,506,000
Long-term debt (note 2)	4,333,000	4,500,000
Deferred income taxes – non-current	121,000	60,000
Shareholders' equity:		
Capital stock:		
Authorized: 2,000,000 common shares without par value		
Issued: 484,604 common shares	1,573,000	1,573,000
Contributed surplus (no transactions during year)	500,000	500,000
Retained earnings (note 2)	15,042,000	13,414,000
Total shareholders' equity	17,115,000	15,487,000
Total liabilities and shareholders' equity	$40,724,000	$36,553,000

Approved by the Board: P.F. FOWLE, Director
R.M. CALHOUN, Director

WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES

Consolidated Statement of Income
Year ended December 31, 1972
(with comparative figures for the year 1971)

	1972	1971
Sales	$69,724,000	$69,824,000
Cost of sales, selling and administrative expenses before the following:	64,899,000	64,647,000
Depreciation	694,000	720,000
Interest expense (including, 1972 – $309,284; 1971 – $355,000 on long-term debt)	669,000	933,000
Income taxes	1,485,000	1,741,000
	67,747,000	68,041,000
Income before extraordinary item	1,977,000	1,783,000
Extraordinary item:		
Net gain on disposal of discontinued operations (less income taxes of $40,000)	–	136,000
Net income for the year	$ 1,977,000	$ 1,919,000

Earnings per share:		
Before extraordinary item	$4.08	$3.68
Extraordinary item	–	.28
Net income for the year	$4.08	$3.96

Consolidated Statement of Retained Earnings
Year ended December 31, 1972
(with comparative figures for the year 1971)

	1972	1971
Balance, beginning of year	$13,414,000	$11,785,000
Net income for the year	1,977,000	1,919,000
	15,391,000	13,704,000
Dividends paid during the year	349,000	290,000
Balance, end of year	$15,042,000	$13,414,000

The accompanying notes are an integral part of the financial statements.

WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES

Consolidated Statement of Source and Application of Funds
Year ended December 31, 1972
(with comparative figures for the year 1971)

	1972	1971
SOURCE OF FUNDS:		
Net income for the year	$ 1,977,000	$ 1,919,000
Add (deduct):		
Depreciation	694,000	720,000
Deferred income taxes	61,000	(181,000)
Loss (gain) on sale of fixed assets	1,000	(159,000)
Funds from operations	2,733,000	2,299,000
Proceeds from disposal of fixed assets	82,000	481,000
Decrease in mortgages receivable	209,000	63,000
Issue of capital stock	–	4,000
	3,024,000	2,847,000
APPLICATION OF FUNDS:		
Purchase of fixed assets	776,000	323,000
Dividends paid	349,000	290,000
Reduction in long-term debt	167,000	198,000
	1,292,000	811,000
Increase in consolidated working capital	$ 1,732,000	$ 2,036,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Security for bank borrowings**
Accounts receivable and inventories are pledged as security for bank borrowings.

2. **Long-term debt**

	1972	1971
Debenture, payable in equal annual instalments to 1975 with interest at 7.25% (against which certain fixed assets are pledged)	$ 333,000	$ 500,000
Bank term loan, payable in 1974 (against which accounts receivable and inventories are pledged)	4,000,000	4,000,000
Total long-term debt (net of current instalments)	$ 4,333,000	$ 4,500,000

Debt maturities are as follows:
1973 – $167,000; 1974 – $4,167,000; 1975 – $166,000

The agreement with the holder of the debenture requires the company to maintain consolidated working capital of at least $6,500,000 and contains certain dividend restrictions. At December 31, 1972, $2,740,000 (1971 – $1,706,000) of retained earnings was not restricted as to payment of dividends.

3. **Remuneration of directors and officers**

	1972	1971
Remuneration of directors, as directors	$ 17,000	$ 16,000
Remuneration of officers, as officers	355,000	313,000
Number of directors	10	10
Number of officers during the year	8	11
Number of officers who are directors	2	2

AUDITORS' REPORT

To the Shareholders of
Westeel-Rosco Limited:

We have examined the consolidated balance sheet of Westeel-Rosco Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Chartered Accountants.

Toronto, Ontario
February 12, 1973.

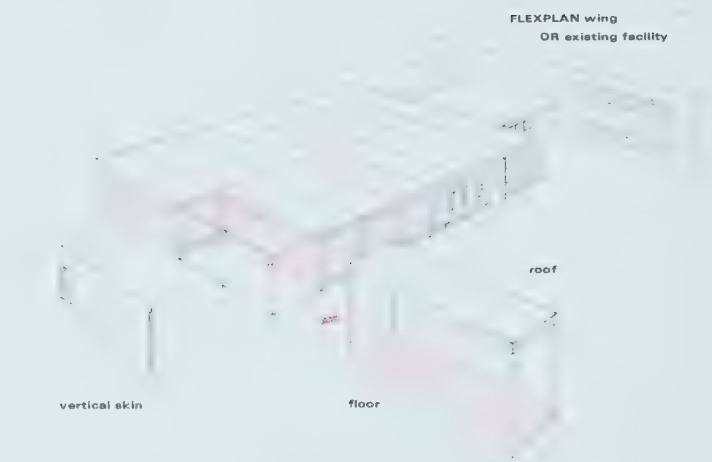
WESTEEL-ROSCO LIMITED

TEN YEAR COMPARISON

(IN THOUSANDS OF DOLLARS)

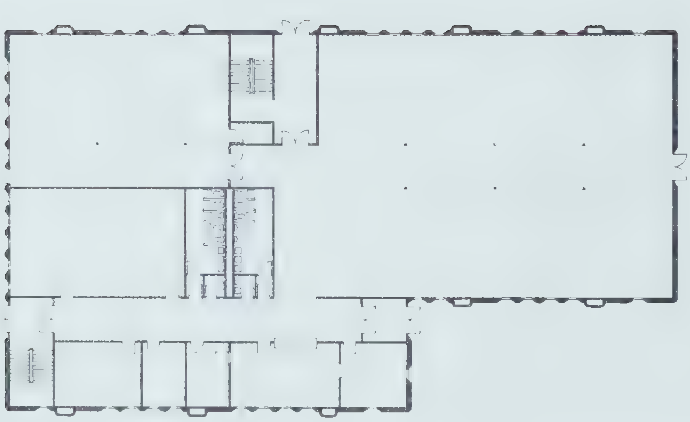
		1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Sales	$	69,724	69,824	69,958	72,469	68,989	60,256	66,866	59,180	26,473	25,760
Operating profit (loss)	$	3,462	3,524	(83)	1,621	639	1,449	3,028	1,957	525	(150)
% operating profit (loss) to sales		4.97%	5.05%	(.12%)	2.24%	.93%	2.40%	4.53%	3.31%	1.98%	(.58%)
Income taxes (recoverable)	$	1,485	1,741	(47)	860	372	747	1,529	917	135	–
Net income (loss)	$	1,977	1,919	(36)	970	310	751	1,505	1,202	242	(178)
Common shares outstanding		484,604	484,604	484,204	484,204	484,204	484,204	482,204	480,404	476,504	472,604
Earnings (loss) per common share	$	4.08	3.96	(.07)	2.00	.64	1.55	3.12	2.50	.51	(.38)
Dividends per common share	$	.72	.60	.60	.60	.60	.60	.60	.15	.15	.15
Working capital	$	14,092	12,360	10,324	10,720	10,132	11,380	7,182	7,103	5,405	6,489
Working capital ratio		1.74	1.75	1.48	1.48	1.46	1.79	1.36	1.39	1.33	2.33
Capital expenditures	$	776	323	702	1,330	2,028	652	1.124	761	333	1,678
Depreciation	$	694	720	842	892	943	789	799	796	545	575
Gross assets	$	40,724	36,553	40,481	41,855	41,440	33,803	35,618	33,206	29,679	17,219
Book value per common share	$	35.32	31.96	28.61	29.28	27.88	27.84	26.96	24.49	22.23	21.97
Earnings (loss) as percentage of shareholders' equity – Jan 1.		12.77%	13.85%	(0.25%)	7.19%	2.30%	5.78%	12.79%	11.34%	2.33%	(1.7%)

FLEX



THE NEED: Traditional school buildings contrast sharply with the rapidly changing character of every aspect of education to-day. Over and under capacity conditions caused by changing school populations, new learning concepts and techniques and budget considerations all point to a vastly increased need for flexibility. Similar situations are constantly arising in commercial and industrial needs.

THE CONCEPT: The Flexplan Relocatable Module has the planning and functional attributes of large open spaces and relocatable partitions, excellent heating, lighting and ventilation. Flexplan has the added advantages of short delivery time and complete relocatability plus offering substantial savings over traditional permanent construction.



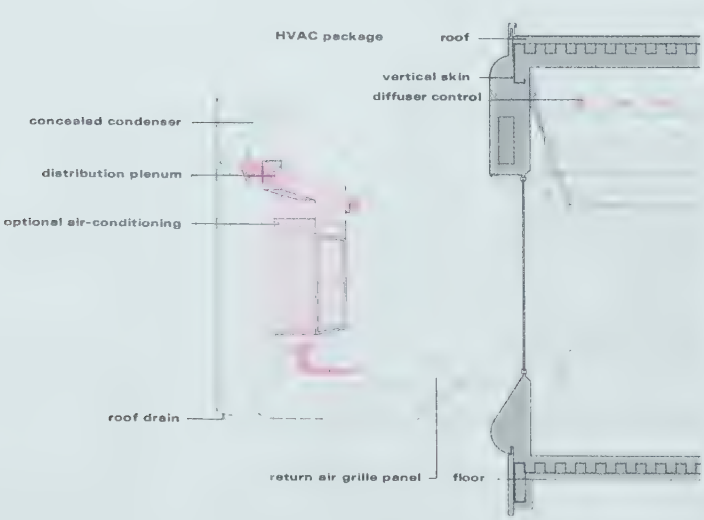
FEATURES: A Flexplan building is constructed from six components (see upper left) which may be assembled into box modules at the factory or incorporated directly into the building on site.

Flexplan Relocatable Modules may be combined to create a self-contained building or a wing associated with a permanent core.

The basic Flexplan module can accommodate most use requirements and all interior space division is relocatable along 5′ grid lines (see left).

A shift in accommodation requirements is met by adding or subtracting Flexplan Modules.

Drop-in unitized heating, ventilation, air-conditioning packages are accommodated in the exterior walls (lower left) and ensure low cost and east of installation.

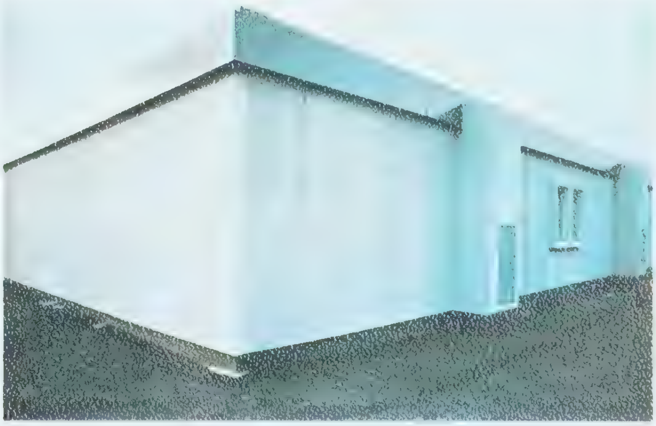


The Flexplan Concept has been developed by the Flexcon division of Westeel-Rosco with the assistance of the Government of Canada (Department of Industry, Trade and Commerce) and the Steel Company of Canada, Limited.

PLAN

CASE HISTORY John A. Leslie School Addition, Scarborough, Ontario.

Pier foundations were drilled early in September, 1972 and the 4000 sq. ft. Resource Centre was turned over for use shortly before Christmas 1972. The photos below show a truckload of components arriving on site, a factory-assembled module arriving on site, installation of a Flexplan module, two exterior views of the Flexplan addition and finally, the facility in use.



Upper left: Interested buyers seek information on Westeel-Rosco grain system features.

Lower left: Interior of grain bin on display is utilized as an office and to demonstrate features of the bin and erection pole.

Above: Scale model of Westeel-Rosco's new Hopper Bottom Bin designed for maximum convenience and one-man operation.

In 1972 Westeel-Rosco was invited to be a participant at Showcase '73 in Minneapolis, Minn. on December 5th, 6th and 7th. Sponsored by Cenex (Central Exchange Co-op), Showcase '73 is the largest co-op show in North America and is a 'closed' exhibition for invited suppliers and customer co-ops only.

Westeel-Rosco was one of two grain bin manufacturers and the only Canadian firm invited to participate in this showcase for the agri-market.

The gold-jacketed W-R-L attendants could be readily identified among the more than 2300 participants and attracted favourable attention to the W-R-L display.

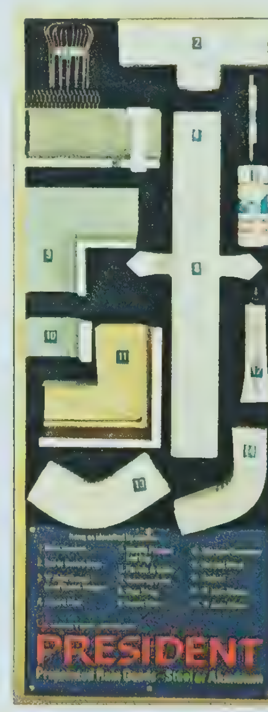
The Westeel-Rosco grain bin programme provoked much interest as did the exclusive W-R-L erection pole technique.

The Westeel-Rosco penetration of the large American agricultural market is effected through our office at Fargo, North Dakota.

W-R-L PRESIDENT PREPAINTED RAIN GOODS SYSTEM

The illustrated President display is in use in hundreds of hardware, co-operative and department stores across Canada.

Modern K-style President trough, pipe and accessories are available in pre-painted steel or aluminum in durable white enamel for years of trouble-free use.



This building can change a lot of your ideas about construction. Because it's Stran®

The other way to build

Stran works with building systems. We design them. Engineer them. Manufacture them. And construct them. With this total control, we've found ways to put the whole building process on a fast track. We can get you in any kind of a building fast and economically. Stran's modular building method is the best way to combat the rising cost of construction. As much of your building as possible is completed inside one of Stran's manufacturing plants where both quality and cost can be closely controlled. And while Stran is manufacturing these modular units, the first steps of building can begin at your site. With this system's approach, your structure is finished and ready to move into faster than with any other way to build.

This page typifies the approach used through media and direct-by-mail advertising to promote Stran buildings in 1973.

THE Stran-Steel DIVISIO

WESTEEL-ROSCO LIMITE

WESTEEL-ROSCO LIMITED

ANNUAL REPORT 1972

Printed in Canada

AR42

JUNE 30, 1971.

INTERIM REPORT TO SHAREHOLDERS

Earnings for the first half of 1972 were $399,000, compared to $57,000 for the same period in 1971. The following unaudited statements illustrate the more important operating comparisons.

The third quarter results will be adversely affected by a strike in the Toronto plants which closed operations from July 6th to the 28th. The Company's order backlog continues to be healthy and, on balance, your directors remain confident about 1972 and expect a profitable year.

On Behalf of the Board,

R.M. Calhoun,
President

August 2, 1972.

WESTEEL-ROSCO LIMITED

WESTEEL-ROSCO LIMITED

INTERIM REPORT TO SHAREHOLDERS

CONSOLIDATED INCOME STATEMENT*

($000's)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30/72	JUNE 30/71	JUNE 30/72	JUNE 30/71
Sales	$17,707	$17,869	$29,948	$29,313
Cost of Sales, Selling, Administration and Financial Expense before the following:	16,373	16,741	28,678	28,593
Depreciation	188	216	375	426
Interest on long term debt	79	87	161	172
Provision for income taxes	509	440	335	65
	17,149	17,484	29,549	29,256
Net Profit	$ 558	$ 385	$ 399	$ 57
Per Share	$1.15	80¢	82¢	12¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS*

	SIX MONTHS ENDED	
	JUNE 30/72	JUNE 30/71
Source of Funds		
Net Profit	$399,000	$ 57,000
Add Charges which did not reduce Working Capital		
Depreciation	375,000	426,000
Funds from Operations	$774,000	$483,000
Decrease in mortgages receivable	170,000	31,000
	$944,000	$514,000
Application of Funds		
Decrease in long term debt	167,000	167,000
Purchase of fixed assets less proceeds on disposal	116,000	36,000
Dividends paid	174,000	145,000
	$457,000	$348,000
Increase in Working Capital	$487,000	$166,000

**This statement is unaudited*